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## ECONOMIC LITERATURE—DISCUSSION.

J. E. HAGERTY: I agree with the President in much that is stated in the paper, and find that our chief differences consist in what appears to me to be an over-statement of facts.

If economics is a science, its methods should differ in no important particulars from those of other sciences. As a science its data is in the business world, and this data must be procured, classified, and properly appraised. This should be the first step. The great difficulty with the economic theory of the past is that it was founded chiefly on impressions. If economics is to progress beyond the initial stages of science, it must be based on a completer knowledge of the business world,—that is, business practices, the mechanism of business, and the evolution of modern business.

How is this knowledge to be obtained? I agree with Professor Patten that it is not to be obtained from the library, culling out facts from musty volumes frequently written by men who had an inadequate idea of the industrial institutions they were describing. This knowledge must be obtained in the business world, and very largely at first hand. The men who occupy the various business positions possess the knowledge which we must know and on which we must reason.

Some students in the Bureau of Social Research, New York City, are investigating the agencies organized to sell food products to the people of New York, with the purpose of learning the influence of these institutions on prices. This data can be obtained only in the open field by studying the market conditions at every point from the

producer to the consumer. It is only by getting an exact knowledge of the various selling agencies, and of the foods disposed of, that they will know whether high prices are a result of clumsy methods of distribution or not. When the results are obtained it ought not to be necessary to fill a ponderous volume in describing the institutions and in drawing conclusions.

In discussing phenomena the cumbrous monograph, which not even the economist reads unless a special interest compels him to do so, has been overworked. Concise description and clear-cut conclusions will preserve the data and exert a permanent influence. But I do not see how we are going to escape the necessity of thorough investigations in every department of business activity. In their times Adam Smith and J. S. Mill had simpler tasks to perform than we have today. No detailed studies were necessary when Smith wrote. The industrial organization was simple then, and the facts of business were well known. The business world today has attained a degree of complexity undreamed of even in Mill's time, and this change in organization has made necessary a change in methods of study.

I believe with the writer of the paper that the value of the science is in direct proportion to its influence on progress. We should move the world, but we should not be too much concerned with the process of the moving. The economist should be on the firing line of civilization, but instead of firing he should furnish the ammunition.

The science has been discredited in this country at times owing to its direct connection with governmental policy. The teaching of the doctrine of free trade had much to do with the prejudice against it over twenty years ago. We seem to have emphasized studies from decade to decade in conformity with the national interest of the times, and

the science was popular or unpopular as public opinion approved or disapproved of the teachings of the economists. The solution of problems on purely theoretical grounds does not meet with popular favor. The real work and sphere of the economist in influencing public policy directly can be illustrated in the present agitation for tariff revision. If it be admitted that some tariff is necessary in our national policy, it must be obvious that the present methods of tariff revision will fail. The tariff, instead of being lowered, will undoubtedly be raised. If the theory of adjusting the tariff to the differences in cost of production here and abroad is carried out, the absurdity of the present method must be apparent. With the complexity of our tariff schedules there is needed a commission to make an exhaustive study of factors in cost of production and the various conditions of production in different countries. The members of this commission must be economists or have training in economics. It is not necessary that they should frame the tariff law, but they can state the conditions according to which the tariff must be constructed.

I cannot agree with the President that a good debater is a better economist than a writer of theses. Good debaters are clear, and strong in the power of expression; but they are too biased to be scientific and too narrow to be accurate. A man with the debater's instincts is too positive, too lop-sided, and too anxious to prove one side of a case. As a matter of fact, a debater has to be unmade before anything can be done with him scientifically.

A man with the instincts of the newspaper man and cartoonist is as hopeless as the debater, though for a different reason. He is too much interested in the sensational to give truth its proper setting. Unimportant things that lend themselves to vivid description are

pushed into the foreground and essentials are ignored. Power of presentation and a desire to reach the masses are qualities that would ruin any scientific investigator.

The chief message of President Patten to the Association, as I interpret it, is that economic investigation should be along lines most demanded by public policy; and the results of the investigations should be in such a form as will make them immediately available to the public at large.

On these points Professor Patten is fundamentally right.

F. B. HAWLEY: Professor Patten holds, if I understand him correctly, that there is something lacking to a science, such as political economy, that cannot or has not condensed its teachings into striking phrases or catch-words, as it is only by so doing that an influence in practical matters can be obtained. He, although perhaps the most subtle thinker we have, seems in this address at least to condemn subtlety and to insist that economic truth should be stated only in broad outlines and condensed forms, should be distilled, as it were, into pregnant phrases, capable of inevitably suggesting all or most of their connotations. What he suggests is less theory and more practical application.

Now it seems to me that clear thinking can be trusted to crystalize itself, and that any attempt to force the process can only result in our getting imperfect and muddy crystals,—or, in other words, in misleading phrases and catch-words, which will do twofold more harm than good. The remedy, it seems to me, is not less theory, but more and better theory.

In a recent work I have ventured to assert that the reason for the state of things Professor Patten laments is to

be found in the fact that there is no consensus of the competent as to the exact scope of the science or as to the exact content of its fundamental terms. That this consensus does not exist, none of you will seriously dispute, but I fear few recognize the necessity of obtaining it before the crystallization of economic truth into terse and popular phrases should be attempted.

To illustrate my meaning I will call your attention to the prevalent use, or rather uses, of the term capital,—namely, as “capital goods” and as the “value of capital goods”. Now, firstly, is it possible to think clearly when a fundamental term is given two distinct meanings? Can such a term really have two significations? I, at least, think it is impossible. Secondly, capital is universally treated as a productive factor. Is it really such? Economics is a moral science, concerned, that is, wholly with voluntary human actions. It must inquire not what capital does, but what the capitalist does. It is the capitalist who is an economic factor and not his capital. This seems, to me at least, so self-evident a truth as to be proven in the mere statement. And yet so far as I am aware, no one, until I attempted it in my recent book, has sought the definition of capital by inquiring into what it is that the capitalist “as such” does. There can be but one answer to such an inquiry when made,—namely, that he refrains from the exercise of such purchasing power as he possesses, and lends the power either to others or to himself for a specific time and for a stipulated reward, which is interest alone when he is absolutely secured as to repayment, or interest and a premium of insurance when he incurs some risk of not being repaid. Now “as such” the capitalist never has any “capital good” in his possession. He has absolutely nothing at all to do with “capital goods”, nor has he any interest at all in the value of any

specific capital goods. All the capitalist "as such" can possess is an abstract and unspecified power to purchase. The moment he as an individual invests this purchasing power, he advances beyond the bounds of his distinct function as a capitalist and becomes a capitalist entrepreneur. The man who lends can indeed be said to invest in a claim, but all he really does is to make specific the general and unspecified claim he already possessed. The moment he invests in capital goods, or restricts his claim to the value of specific capital goods, he exercises an additional function entirely different and distinct, namely, the assumption of responsibility.

Now the indisputable fact that investment in capital goods or in their specific value is an action that the capitalist "as such" cannot possibly perform, becomes so plain on a little reflection that I am sure of your ultimate assent. Indeed, that it is the entrepreneur who invests the capital he borrows of the capitalist is so self-evident that it has always been assumed as a matter of course. And yet, illogical as it really is, it has hitherto been assumed equally as a matter of course that these same investments were also made by the capitalist. The absurdity of supposing that there can be two investors in the same investment has been strangely overlooked.

Now the monumental work of Böhm-Bawerk and the treatment of capital and interest by our own Professor Fisher are both founded on the assumption that investment is an action of the capitalist "as such", the inevitable consequence of which is an inexplicable and bewildering confusion of interest and profit. The results aimed at by both authors must be seriously modified if, as I claim, investment is an action only possible to the entrepreneur "as such". And until such results are so modified, how is it possible to condense these results into phrases both

trenchant and true, and that will offer the results of economic theory to popular conception in the form of pre-digested tablets? Must we not be more certain of what we have to teach before it is safe to embalm our teaching in popular phraseology and catch-words? Must we not first settle absolutely the fundamental terms and scope of our science before attempting to pose as the arbiters of practical application of economic principles?

The scope and definition of the science itself are by no means yet settled. Shold we venture upon dogmatic statements before we are exactly sure what we are talking about? And is it probable that we can arrive at particular definitions of fundamental terms before the science itself is positively defined? And will not these fundamental terms define themselves when the exact scope of economic inquiry is positively determined? Is it possible to coin lucid and striking phrases, comprehensible by the man in the street, that embody true and exact economic principles, so long as we ourselves are dubious about the ultimate premises upon which all our deductions are based?

T. N. CARVER: We all doubtless agree with Professor Patten, at least to the extent of saying that if economists can popularize their style without sacrificing scientific accuracy and thoroughness it would be a great gain. I am somewhat disturbed, however, by the remarks of one speaker regarding the low estimation in which economics and economists are held. I have not noticed that myself. I think that if any great business man were to tell me that he regarded economics merely as a field for the exercise of the intellectual proletariat, I should at once ask, at least to myself,—What particular form of corruption are you engaged in now? If the scientific study of econom-



ics is in such low estimation among the business and political interests of Pennsylvania as the speaker seemed to imply, it speaks volumes regarding the political and business corruption in Pennsylvania.

SCOTT NEARING: The point that Dr. Patten makes regarding the influence that an economist should exert over the public is an important one, and we can well test it by the effect which our instruction has upon our classes. We are in direct contact with the students every day, and our effectiveness as influencers of public opinion can be tested at that point as nowhere else.

What do the students in the average class of economics think of the subject? It is my opinion that they regard it as a dry, uninteresting subject which has no possible connection with their life activities.

As a matter of fact, there is no subject that can be made more lively and interesting than economics; and, if it is not made interesting and connected definitely with the lives of the students, the instructor, and not the student, is to blame.

The custom of presenting theory to Freshmen and leaving the practical courses for the later years results in disgusting a large number of Freshmen with the general subject. Freshmen should be shown the connection between economics and their own lives, and if we are to be effective economists we can well start by directly and effectively influencing the younger students who come under our charge.

EDWARD T. DEVINE: My senior colleague in Columbia has used the word pessimism in characterizing President Patten's address. I should not otherwise have wished to take part in this discussion, but I cannot refrain

from saying a word in defense of the address against that particular charge. As I understand it, that man is a pessimist who, whether he may happen to have a favorable opinion or an unfavorable opinion of the matter in hand, is in either case cynically sceptical as to the possibility of doing anything whatever to improve it. A man does not become a pessimist merely by describing a situation as unsatisfactory. Even if he denounces it vigorously he may still be a thorough-going optimist. In fact, an emphatically expressed opinion that something or other should be changed is oftener than not an evidence of optimism. Your pessimist would not think it worth while to get excited about it. He would coolly assure you that no doubt it was bad—things usually are bad—but nothing that you or I can do will make the slightest difference.

Certainly this is not the spirit of Dr. Patten's address. He describes the existing situation in post-graduate instruction in economics as unsatisfactory. He says just what he thinks is wrong with it, and he points out the remedy. I submit that no one but a profound optimist would have had the courage to do that. He contrasts the ideal which is represented by voluminous dissertations with an ideal represented by the capacity to do some definite useful work. He thinks that the wider acceptance of the latter ideal would have a refreshing and beneficial influence on our work with candidates for higher degrees. In taking this ground, and in supporting his position by the considerations which he has urged, he does not seem to me to have laid himself open to a just charge of pessimism.